

REVIEW OF PROPOSED LEGISLATION

2011 Assembly Bill 49

**An act in regard to the treatment of
Snow Grooming Equipment at Ski Areas**

**TO BUILD A STRONG FOUNDATION
FOR**

WISCONSIN SKI INDUSTRY

**Presented by
WISCONSIN SKI INDUSTRIES ASSOCIATION**

Comments and Communication

To:

Jim Engel, President

Wisconsin Ski Industries Association

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FOR
WISCONSIN SKI INDUSTRY**

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**REVIEW OF PROPOSED LEGISLATION
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FOR
WISCONSIN SKI INDUSTRY**

INTRODUCTION

This request is being made by Jim Engel, President of Wisconsin Ski Industries Association on behalf the industry of skiing, snowboarding and snowtubing in Wisconsin. Wisconsin Ski Industries Association is a group representing ski areas in Wisconsin who are dedicated to providing wholesome recreation to families when so many other, not so wholesome activities, are available in today's society. We support proposed legislation which will build a strong foundation for ski areas facing difficult economic conditions coupled with aggressive competition across state lines.

The State of Wisconsin is home for 25 ski areas and winter recreation facilities all of which are impacted not only by adverse weather conditions but also serious economic challenges as they face increased costs for utilities, labor and fuels while faced with a customer base experiencing economic challenges at home. The employment base for these ski areas tops 3074 employees and the impact these recreation facilities have for tourism in Wisconsin reaches millions of people of all ages.

Several ski areas have already closed down even before the most recent economic crisis. Others are facing difficulties maintaining their infrastructure during periods of shrinking customer visitation.

Investment in supportive legislation the state of Wisconsin would assist Wisconsin ski areas in continued capital expenditures, boost the employment base, increase the tourism revenues and show immediate returns in the form of increased income and sales taxes.

FORWARD

The following pages will outline the impact, needs, use, accountability and results expected from this request. The request for support of the investment associated with AB 49 allowing Wisconsin ski areas to invest in the infrastructure across Wisconsin including replacing and adding additional snow grooming tractors making Wisconsin tourism stronger throughout the winter months.

INVENTORY OF FACILITIES

Wisconsin has winter recreational facilities located across the state from Wilmot Mountain in the southeast corner to Trollhagen Ski Area near the Minnesota border and Whitecap Mountain next door to Michigan. Ski areas both near metropolitan Milwaukee (Sunburst Skiing Snowboarding and Snowtubing Area); near Madison (Cascade Mountain and Tyrol Basin); the mid-state area

(Granite Peak and Nordic Mountain) and in the northwest (Mount LaCrosse)

HISTORICAL ANALYSIS and INDUSTRY FRAGILITY

Twenty-seven skiing and winter recreation facilities have closed their operations in the last several years. The loss of these has had a negative effect on the Wisconsin skiing environment and has shared in the reduction of tourism across the state.

Pressure on the remaining operations increases significantly as operation costs increase. Couple this with the latest economic conditions and the board of directors of Wisconsin Ski Industries Association is concerned about the loss of even more ski areas.

Consumer demands for increasingly better snow conditions, snow grooming practices, chairlift capacities and customer friendly parking and lodge facilities are costly to continue forcing ski areas to make difficult choices on employment and staffing cuts or even staying in business.

DEFINITION OF ISSUES

SLOPE MAINTENANCE

Today's skiers and snowboarders have become sophisticated and accustomed to groomed and manicured snow conditions. Creating these slope surfaces using the machine made snow requires the latest in grooming tractors and equipment. Costs to purchase these specialized tractors is a constant threat to our industry.

WSIA and all the owners of the ski areas consider the "Product" we are manufacturing to be the "Corduroy Groomed Surface". These grooming tractors and specialized "Tillers" mounted on them are specifically and exclusively used for making this product.

These grooming tractors have one exclusive purpose for ski areas. Grooming the snow surfaces of skier use. The tractors are used directly in the process and are required pieces of equipment for ski areas.

IMPACT ON TOURISM

Travelers will benefit nearby lodging, restaurants, gas stations, ski shops and other small retail outlets as they are attracted to Wisconsin for skiing and the wholesome winter recreation provided and enhanced through this stimulus package. Naturally this has a positive impact on tourism in Wisconsin. Please refer to the attached report on the Economic Significance of Downhill Skiing and Snowboarding in Wisconsin.

RESOLUTION OF NEEDS

WSIA is requesting the support of legislation that will assist with enhancing the growth and strength of tourism in Wisconsin, specifically the ski industry. Legislation already proposed by Representative Roth includes:

ACCOUNTABILITY

Wisconsin Ski Industry Association Executive Committee can be the contact for details. Specifically, Jim Engel, WSIA president.

DETAILED DISCUSSION

Proposed sales and Use tax exemption for Grooming Tractors and Electricity for Snowmaking

AB 49 will create sales and use tax exemption for snow grooming machinery. This will allow ski resorts to invest in more modern and energy efficient snow making equipment. As the snow is the reason for the hills to be open, it will be a great benefit for the resorts to create snow and groom it better for the enjoyment of those that are skiing or snowboarding and will create sales and use tax exemption for electricity used to make snow. This Bill will allow the resorts to make more snow when mother nature fails to provide enough snow. This Bill should lead to many locations being able to open earlier and stay in operation longer.

The bill could be similar to Wisconsin Code 77.54 (38) where in grooming tractors for snowmobile trails are exempt as stated: in **(38)** The sales price from the sale of and the storage, use or other consumption of snowmobile trail groomers and attachments for them that are purchased, stored, used or consumed by a snowmobile club that meets at least 3 times a year, that has at least 10 members, that promotes snowmobiling and that participates in the department of natural resources' snowmobile program under s. 350.12 (4) (b).

This appeal is presented to request that "Snow Grooming Machines" be listed as Sales Tax Exempt. Specifically the purchase and repair of "Snow Grooming Machines" used directly and exclusively for preparing the snow for use by skiers, snowboarders and snowtubers.

Snow grooming machines are used for the final step in producing the usable surface regardless of the source of the raw snow (manufactured or natural) for that usable surface.

Snow grooming machines, then, as an integral part of the production process should be tax exempt.

Statement of Facts:

Wisconsin weather and climates are such that these facilities need to use means of grooming the snow surfaces in order to operate the seasonal business. Snow grooming takes place at all downhill skiing and snowboarding and most commercial snow tubing operations.

The grooming process is needed to prepare slope surfaces for use by the customers. This finishing process or "re-finishing process" is needed whether snow conditions are machine made or from natural snow. Point in fact is that refinishing is required daily. After snow surfaces are used by the customer, slopes are re-groomed using these grooming tractors before the next session of customer use.

Snow Grooming Machines are used **directly** in the process in forming useable skiing, snowboarding or snow tubing surface. The machines have direct contact with the snow surface. The skiing, snowboarding or snow tubing surface is not usable for sale or rent unless and until the snow grooming machines are used.

Snow Grooming Machines are used **exclusively** for the process of "finishing" or "grooming" the natural or manufactured snow to a useable skiing, snowboarding or snow tubing surface with no other use during winter or off season activities.

Summary position of facts: "Snow grooming" to finish the process of snow preparation is an integral part in preparing a product for consumer use of ski facility operations. Snow grooming machines are used directly for that process and are used exclusively in the grooming part of the snow surface preparation process.

Two other scenarios should be considered:

One: Use of the grooming tractors is required if natural snow is use for the raw materials. Wisconsin ski areas, while dependant on machine made snow, often receive natural snow. When this occurs, "snow grooming" still required to finish the snow and smooth any wind blown areas of drifting.

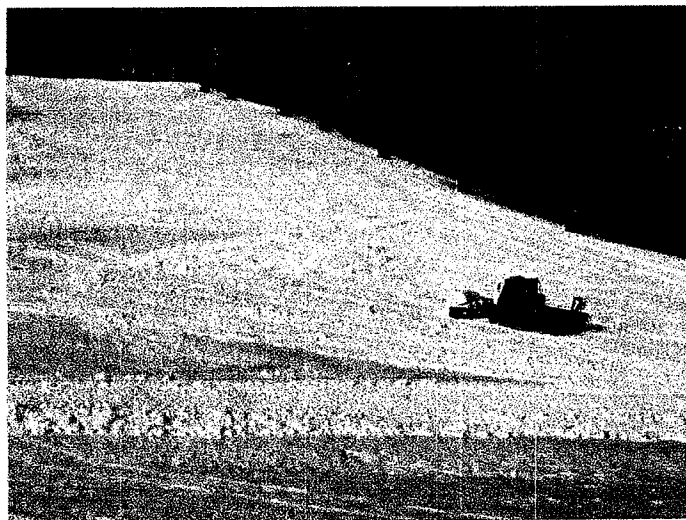
Two: Use of the grooming tractors are required to re-finish the snow surface after customer use. Grooming takes place daily before use by customers regardless of new natural or machine made snow .

EXHIBIT

Exhibit depicts the final phase of snowmaking wherein snow grooming machines are driven to distribute the snow from the snow piles into a flat usable surface for skiing, snowboarding and snow tubing.

Note that these snow grooming machines are specifically and exclusively designed for the purpose of grooming the snow and serve no other specific function at the ski area. Grooming takes place daily regardless of new snow from nature or machines.

Note the direct connection between the snow grooming and the snowmaking process preparing the skiable surface for sale to skiing, snowboarding and snow tubing customers.



SUMMARY

Wisconsin Ski Industries Association is a group representing ski areas in Wisconsin who are dedicated to providing wholesome recreation to families when so many other, not so wholesome activities, are available in today's society. Twenty five ski areas work together to provide these activities across the entire state of Wisconsin.

These ski areas are now challenged by many factors not the least of which is the difficult economic times we are all facing.

Assisting Wisconsin Ski Industries Association with support of these bills will provide much needed stimulus to all related industries across the country creating and maintaining jobs for people in the ski industry, transportation, tourism, manufacturing, shipping and trucking, food and beverage distribution and so on.

On behalf of these Wisconsin ski areas collectively, I thank you for considering our proposals.

Respectfully submitted,

James A. Engel, President

Wisconsin Ski Industries Association

Please find following material showing the economic significance of downhill skiing and snowboarding in Wisconsin as prepared by RRC Associates.



Economic Significance of Downhill Skiing and Snowboarding in Wisconsin **Preliminary Results**

Prepared for Wisconsin Ski Industries Association, Mt. Horeb, WI
Prepared by RRC Associates, Boulder, CO
May 6, 2011

Introduction

This report provides a brief summary of selected economic and operational measures of the Wisconsin ski resort industry. The report primarily draws on ski resort operator survey data and ski visitor survey data collected by the National Ski Areas Association (NSAA), along with selected economic data sources and literature. In addition, where data specific to Wisconsin is not available, RRC Associates has utilized documented economic factors for the Midwest or the U.S. generally, as described in the report.

This analysis focuses on the economic activity associated with downhill skier/snowboarder expenditures during skiing/snowboarding trips. Expenditures associated with non-trip-related spending on skiing/snowboarding, such as purchases of equipment not occurring during a ski trip, are excluded. Additionally, expenditures associated with snowsports participation other than downhill skiing and snowboarding (e.g. expenditures associated with cross-country skiing and snowshoeing trips) are excluded.

It should be noted that these results are based on preliminary ski industry results for the 2010/11 season, and as such are subject to updates and revision. A final version of this analysis will be produced later this summer.

RRC Associates, a 20-person firm based in Boulder, Colorado, specializes in providing market research and consulting services to the ski industry, with experience conducting economic and demographic research for such industry participants as NSAA (including the annual Economic Analysis of United States Ski Areas), Colorado Ski Country USA, Ski Utah, and numerous individual ski resorts.

Background facts about Wisconsin ski areas

- **Number of resorts:** A total of 32 ski areas operate in Wisconsin, per NSAA records (Table 1 to follow). Wisconsin has the third most ski areas of any state (after New York – 52 areas and Michigan – 43).
- **Number of skier visits:** Wisconsin ski areas hosted a preliminary estimate of 2.16 million skier visits in the 2010/11 winter season, or an average of approximately 67,500 visits per ski area. A

skier visit is defined as one person visiting a ski area for all or any part of a day or night for the purpose of skiing, snowboarding, or other lift-served downhill riding (but excluding snowtubing). Wisconsin ranks 9th among states nationally in the number of resort skier visits, and ranks 2nd in the Midwest (behind Michigan, based on preliminary 2010/11 results).

Table 1
Wisconsin Ski Areas, 2010/11

SKI AREA	CITY	SKI AREA	CITY
Alpine Valley Resort	East Troy	Kettlebowl Ski Area	Antigo
Ausblick Ski Area	Sussex	Keyes Peak Ski Hill	Florence
Bruce Mound Sports Area	Neillsville	Mont Du Lac, Inc.	Superior
Camp 10 Ski Area	Rhineland	Mt. Ashwabay	Bayfield
Camp Forest Springs	Westboro	Mt. La Crosse	La Crosse
Cascade Mountain	Portage	Navarino Slopes	Shiocton
Christie Mountain Ski Area	Bruce	Nordic Mountain Ski Area	Wautoma
Christmas Mountain Village	Wisconsin Dells	Nutt Ski Hill	Plymouth
Crystal Ridge	Franklin	Powers Bluff	Arpin
Devil's Head Resort & Convention Center	Merrimac	Standing Rock Ski Area	Stevens Point
Fox Hill Ski Area & Club	Milwaukee	Sunburst Ski Area	Kewaskum
Grand Geneva Resort	Lake Geneva	Trollhaugen Winter Recreation Area	Dresser
Granite Peak at Rib Mountain State Park	Wausau	Tyrol Basin Ski & Snowboard Area	Mt. Horeb
Heiliger Huegel Ski Club	North Lake	Whitecap Mountain	Montreal
Hidden Valley Ski Area	Two Rivers	Whitetail Ridge Ski Area	Fort McCoy
Highlands of Olympia	Oconomowoc	Wilmot Mountain	Wilmot

Source: NSAA.

Characteristics of visitors to Wisconsin ski areas

- Day/overnight visitor mix: Based on data from 15 Wisconsin resorts participating in NSAA's Kottke National End of Season Survey and/or National Demographic Survey in 2010/11 or in recent past seasons, approximately 36 percent of skier visits at Wisconsin ski resorts are estimated to be attributable to overnight visitors (persons spending one or more nights away from home during their trip), while 64 percent are attributable to day visitors and local residents.

The day/overnight visitor mix is important from an economic impact standpoint, since overnight visitors typically spend more on their trips than day visitors (e.g. additional expenditures on lodging, meals, entertainment, etc.), and thus have a larger economic impact.

- Geographic origin: Based on data from six resorts participating in NSAA's National Demographic skier/snowboarder survey in 2010/11 or in recent past seasons, slightly over half of visitors to Wisconsin ski areas are Wisconsin residents (53 percent). The remaining 47 percent are out of state visitors, led by Illinois (34 percent of visitors) and Minnesota (9 percent), with the remaining 5 percent of visitors from other states and foreign countries. Because the data is derived from visitor surveys completed at only six resorts, however, these results should be used with caution.

Geographic origin is also important from an economic impact standpoint. Out-of-state visitation provides a particularly important economic boost, since it brings new dollars into the state, much

like other “base” industries. However, the ability of Wisconsin areas to serve in-state residents is also important in keeping associated economic activity within the state. If Wisconsin did not have ski areas, many Wisconsin skiers would likely travel to other states to ski and snowboard, and Wisconsin would consequently lose the benefit of the associated economic activity.

- Day/visitor mix by geographic origin: The day/overnight mix varies by skier origin. Based on data from six resorts, Wisconsin visitors to Wisconsin ski resorts are predominantly day visitors (83 percent). Additionally, most Minnesota visitors to Wisconsin ski areas are also day visitors (74 percent). By contrast, a comparatively low share of Illinois visitors to Wisconsin ski areas are day visitors (43 percent), while most are overnight visitors (57 percent). Based on the available data sample, Illinois thus stands out as an important “destination visitor” market for Wisconsin ski areas.

Methodology for Estimating the Economic Impact of Wisconsin ski areas

The economic activity associated with Wisconsin ski areas can be segmented into two major areas:

1. Direct economic activity associated with skier spending: i.e. economic activity derived from skier purchases during their trips, e.g. lift tickets, lessons, rentals, retail sales, dining, lodging, gasoline, etc.
2. Indirect and induced economic activity associated with ski trips: i.e. the “secondary” or “multiplier” effects attributable to the respending of dollars generated by skier spending, e.g. purchases by businesses that directly serve skiers from their suppliers (indirect effects), and the respending of income earned by employees working for businesses that directly or indirectly serve skiers (induced effects).

Estimates of economic activity are provided below, for visitor expenditures, industry output (sales), employment, and income. For industry sales, employment and income, estimates are generated for both direct and secondary economic effects.

The estimates of economic activity described below utilize consumer expenditure and resort operator revenue factors collected via NSAA research. Additionally, to derive output, employment, income, and secondary effects, generalized ratios and multipliers were used, based on published norms in the tourism economic impact literature.¹

Sales (Output) Impacts of Skiing

- Expenditures by skiers: Table 2 to follow summarizes the estimated expenditures by skiers at Wisconsin ski resorts in the 2010/11 season. In total, skiers and snowboarders were estimated to spend approximately \$232 million in the 2010/11 season, or an average of approximately \$107 per skier visit. Overnight visitors staying in commercial accommodations are estimated to have significantly higher expenditure levels on a per-skier-visit basis (\$169) than day/local visitors (\$78) and visitors staying overnight with friends/family or in second homes (\$126), based on NSAA Demographic survey research of skiers/snowboarders interviewed at four Wisconsin resorts.

¹ Stynes, D.J. (2010), as quoted in Crompton, J.L. (2010), *Measuring the Economic Impact of Park and Recreation Services*, National Recreation and Park Association, Ashburn, VA, p. 37.

Table 2
Estimated Expenditures by Skiers/Snowboarders at Wisconsin Ski Resorts, 2010/11

	Percent of Skier Visits	Number of Skier Visits	Estimated Spending per Skier Visit	Aggregate Spending
Day/local visitors	65.0%	1,402,975	\$78	\$109,432,044
Overnight - friends/family or second home	6.0%	128,426	\$126	\$16,208,260
<u>Overnight - commercial accommodations</u>	<u>29.1%</u>	<u>627,022</u>	<u>\$169</u>	<u>\$106,196,505</u>
Overall average	100.0%	2,158,423	\$107	\$231,836,808

Source: Visitor mix at Wisconsin ski resorts is estimated at 65 percent day/local visitors and 35 percent overnight visitors, based on NSAA Demographic Survey data and NSAA Kottke Survey data for 15 Wisconsin resorts. Of the 35 percent overnight visitors, an estimated 6.0 percent stay overnight with friends/family or in second homes, while 29.1 percent stay in commercial accommodations, based on NSAA Demographic survey research at four resorts in Wisconsin. Average spending per skier visit is based on NSAA Demographic survey research at four resorts in Wisconsin.

- Share of expenditures accruing to resort operators and other businesses: Table 3 below illustrates the approximate share of Wisconsin skier expenditures that are estimated to be captured by Wisconsin ski resort operators. Midwestern ski resorts are estimated to garner an average of approximately \$49.51 in winter-season revenue per skier visit, based on the 2009/10 NSAA Economic Analysis of U.S. Ski Areas (inflation-adjusted to 2010/11 based on the Midwest Consumer Price Index). Assuming that Wisconsin ski resorts share the same financial characteristics as Midwestern ski resorts as a whole, Wisconsin ski area operators are estimated to have grossed approximately \$107 million in revenue in 2010/11, or approximately 46 percent of total skier expenditures. The remaining 54 percent of expenditures, or approximately \$125 million, would have accrued to other businesses, illustrating that many of the economic benefits of ski trips are captured by the wider business community.

Table 3
Share of Skier Expenditures Captured by Wisconsin Ski Resort Operators and Other Businesses
2010/11

	Revenue per Skier Visit	Aggregate Revenue	Share of Revenue
Estimated resort operator revenues ¹	\$49.51	\$106,863,955	46%
<u>Estimated revenues accruing to other businesses</u>	<u>\$57.90</u>	<u>\$124,972,853</u>	<u>54%</u>
Total skier expenditures	\$107.41	\$231,836,808	100%

¹Average resort operator revenue per skier visit is for Midwestern ski resorts, as reported in the 2009/10 Economic Analysis of United States Ski Areas. Data is for winter operations only, and has been inflation-adjusted to 2010/11 dollars based on the Consumer Price Index for the Midwest Region.

- Direct, secondary and total output effects: Table 4 to follow illustrates the estimated direct, secondary, and total output effects attributable to skiing in Wisconsin. Direct output, estimated at \$185 million, is calculated by multiplying skier expenditures by 0.8 (a generalized adjustment factor which reflects typical retailer margins). This step is necessary to omit the cost of goods sold which are made outside of Wisconsin, and thus appropriately reflect the economic output captured in Wisconsin.

Secondary ("multiplier") economic effects, as defined earlier, are roughly estimated at \$130 million. Secondary effects are calculated by multiplying direct output by 0.7, a ratio which is also based on national averages in the tourism industry.

Total output attributable to skiing is estimated as the sum of direct and secondary effects, or approximately \$315 million.

Table 4
Direct, Secondary, and Total Output Effects Attributable to Skiing in Wisconsin
2010/11

	Aggregate Effect
Total skier expenditures	\$231,836,808
Direct output ratio (margin adjustment)	0.8
Direct output effect	\$185,469,447
Secondary output ratio	0.7
<u>Secondary output effect</u>	<u>\$129,828,613</u>
Total output (direct and secondary)	\$315,298,060

Note: Direct output ratio (0.8) and secondary output ratio (0.7) are approximate averages for visitor spending effects at the statewide level of geography, as cited as by Stynes, D.J. (2010), as quoted in Crompton, J.L. (2010), *Measuring the Economic Impact of Park and Recreation Services*, National Recreation and Park Association, Ashburn, VA, p. 37. Actual ratios in Wisconsin may differ from these averages.

Employment and Income Effects of Skiing

As illustrated in Table 5 below, approximately 6,300 jobs in Wisconsin are estimated to be directly or indirectly attributable to skier expenditures. This calculation utilizes a generalized ratio of 20 jobs per \$1 million in output, based on rough national norms.

Additionally, skiing in Wisconsin is estimated to directly or indirectly generate approximately \$110 million in income. This calculation uses a generalized income to sales ratio of 35 percent, again based on approximate national norms.

Table 5
Number of Jobs Attributable to Direct Skier Expenditures in Wisconsin
2010/11

	Direct effect	Secondary effect	Total effect
Sales (output)	\$185,469,447	\$129,828,613	\$315,298,060
<u>Jobs / \$1M in sales (approx.)</u>	<u>20</u>	<u>20</u>	<u>20</u>
Jobs	3,709	2,597	6,306
Sales (output)	\$185,469,447	\$129,828,613	\$315,298,060
<u>Income:sales ratio (approx.)</u>	<u>35%</u>	<u>35%</u>	<u>35%</u>
Income	\$64,914,306	\$45,440,014	\$110,354,321

Note: Jobs:sales ratio and income:sales ratio are approximate national averages for rough estimation purposes, as cited as by Stynes, D.J. (2010), as quoted in Crompton, J.L. (2010), *Measuring the Economic Impact of Park and Recreation Services*, National Recreation and Park Association, Ashburn, VA, p. 37. Actual ratios in Wisconsin may differ from these averages.